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Locked-In Tuition Is a Win for Families but a Tough Sell for Colleges

By BECKIE SUPIANO

Tuition just about always moves in the same direction: up. So wouldn't it be great if students could lock in tuition at their college and know they will pay the same amount for four years?

It seems like a no-brainer, especially now. But some colleges have tried the strategy only to find it hard to convince families that it's a good idea.

That hasn't stopped colleges from trying. The University of Texas at Dallas began its Guaranteed Tuition Rate Plan in the fall of 2007, as a way to "provide simplicity, predictability, and clarity for our students," says Curt Eley, the university's vice president for enrollment management.

Under the plan, incoming students are promised that their tuition and mandatory fees will remain the same for four years from the time they begin their studies. "It takes what I call the inflation risk out of tuition and fees for each individual student," Mr. Eley says. The university even offers the guarantee to students enrolling in Texas community colleges who plan to transfer. Those students sign a document that binds the university to charge them the university's current tuition rate but doesn't obligate them to attend.

The Dallas campus's program began before the economy tanked, but it could be even better for families now. Many households don't expect their incomes to go up in the next year, and it would be especially helpful if their college expenses remained flat.

Strategy Reliant on Growth

Under the plan, the college gets fewer tuition dollars from each continuing student. But Mr. Eley says the university has been able to finance it by substantially increasing its student body through both recruitment and retention. That growth is providing a cushion while the university adjusts to the new tuition model. It would be much harder to start such a program at a college that had already reached full capacity, he says.

Letting students lock in their tuition isn't a new idea, but as the recession pressures families and colleges alike, pricing strategies are particularly important, and many colleges will be trying to think creatively. As colleges contemplate pricing, they must keep in mind not only the actual cost to families but also the perceived cost.

On its face, Texas at Dallas's guarantee is an obvious boon for students and their families. Not only does the program take the guesswork out of what next year's tuition will be, but it also provides savings for students who stay long enough to complete their degree.

Letting students lock in tuition is a great idea in theory, says Kathy Kurz, vice president of the higher-education consulting company Scannell & Kurz. But in reality, it is not so simple for colleges to market.

For the last few years, tuition has increased by an average of 4.5 to 6.5 percent a year, depending on the type of institution. But if a college has a tuition guarantee, it won't have those year-to-year increases. To compensate, colleges must raise tuition significantly from one year's freshman class to the next. An incoming freshman at a college with fixed tuition may find herself paying 12 percent more than freshmen did the year before.

That, Ms. Kurz says, creates a marketing problem. Though families may be set up to save money over the long run with guaranteed tuition, they often don't look past the first-year price tag—which is likely to be higher than that of similar institutions. "The biggest concern is, at least initially, families pay more," Ms. Kurz says. Paying more that first year—even if it means future savings—strikes many families as too risky, she says.

That is especially true this year, as college after college has announced its lowest tuition increase in years. "Colleges, by and large, are having a much smaller rate of tuition increase than any time in the last five or six years," says Robert A. Sevier, senior vice president for strategy at Stamats, a higher-education-marketing company. "It's not the time for a nine-, 10-, 11- or 12-percent increase, which a lot of four-year fixed rates need."

A Retention Tool

For that reason, Texas at Dallas educates families about its program throughout the admissions process, helping them think through the cost of a whole college education rather than focusing on that first year, Mr. Eley says. "I would make the argument to a family, it's great that college X is increasing tuition by 2.5 percent and not 5 percent, but we're raising it 0 percent" for continuing students. "College X isn't making a contractual promise. There's no reason they can't turn around and raise tuition 10 percent next year."

And, Mr. Eley says, the program is primarily designed to encourage retention, making it easier for students to plan for all four years and encouraging them to graduate on time.

Even when families understand the potential benefits, they may be wary of locking in tuition. What if the student transfers or drops out? Officials at Oklahoma City University have noticed that reluctance.

The university also began a tuition guarantee recently, though it operates differently from Dallas's. At Oklahoma City, the program is optional, and those students who enroll in it are charged several hundred dollars a semester more in tuition their first year. Officials there say

only 14 percent of students opt in to the program, even though it works out to be a good deal for any student who stays four years.

Other colleges have abandoned tuition-guarantee programs in recent years. Central Michigan University used to offer guaranteed tuition for up to five years, but stopped doing so in the summer of 2008. The program, though popular, had become "a financial risk to the university," says Steven F. Smith, director of media relations. It was premised on a level of state appropriations that the university no longer can count on, he says.

The guaranteed-tuition program at Pace University also ran into trouble. Offering students a flat tuition rate "requires a degree of stability in everything else," says Stephen J. Friedman, the university's president, who was hired after Pace abandoned its program in 2007. Sustaining the guaranteed-tuition program required large year-to-year increases, hitting 19 percent by the end. While he describes the model as "creative," Mr. Friedman says it also was difficult to sell to families.

Mr. Eley admits the marketing isn't easy, but says that for his institution, it is worth it. "It's more work than a typical pricing strategy," he says, "but morally better for families."